



DEMOCRATIC POLICY COMMITTEE **FACT SHEET**

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The 2000 Democratic Agenda: A Responsible Budget

The Democratic Agenda proposes a responsible budget that would eliminate publicly-held debt by 2013; strengthen Social Security and Medicare; provide tax relief for working families; and make investments in the future. In addition, this plan would continue the balanced, fiscally-responsible approach that began in 1993 and has brought our Nation the longest economic expansion in American history.

A Budget for Working Americans

- **Strengthen Social Security and Medicare.** Democrats propose to extend the solvency of Social Security from 2034 to 2050 by dedicating interest savings on the national debt to improving Social Security's finances, while reducing poverty among elderly widows and eliminating the earnings limit. Additionally, our plan strengthens Medicare by dedicating a portion of the non-Social Security surplus to extend solvency from 2015 to 2025 and to provide a long-overdue prescription drug benefit.
- **Pay off the debt.** Democrats would invest the entire Social Security surplus and a portion of the non-Social Security surplus to eliminate the publicly-held national debt by 2013, thereby saving taxpayers hundreds of billions of dollars in interest charges.

Democratic Policy Committee
United States Senate
Washington, D.C. 20510-7050
Byron Dorgan, Chairman

- **Provide tax relief for working families.** Democrats are committed to reducing the tax burden for ordinary Americans. These tax cuts would be targeted toward working families and provide: increased access to higher education; “marriage penalty” relief; higher deductions for child care expenses; a \$3,000 tax credit for long term care; an expansion of the Earned Income Tax Credit (EITC); and would correct serious design flaws in the individual Alternative Minimum Tax.
- **Invest in the future.** The Democrats’ budget is based on realistic discretionary spending levels that include investment in key priorities like education, health care, environment, public safety, and national security, while keeping overall spending growth slightly below inflation.

Strengthen Social Security and Medicare

Social Security

Social Security is the main source of retirement income for two-thirds of the elderly. In 1959, the poverty rate for senior citizens was 35.2 percent. In 1998, it was the lowest on record, at 10.8 percent. Last year alone, Social Security benefits lifted roughly 15 million senior citizens out of poverty.

Under current estimates, Social Security is projected to become insolvent by the end of 2034. Today, Social Security takes in more in payroll taxes than it pays out in benefits, and is building up its trust fund to pay future beneficiaries. But as the baby boom generation retires and life expectancies continue to rise, the number of people age 65 and over is expected to double—from 35 million in 1998 to 72 million in 2035.

The Democratic budget proposal would extend the solvency of Social Security to at least 2050. In addition, Democrats remain committed to working on a bipartisan basis to enact reforms that make Social Security solvent for at least 75 years. The plan outlined above provides a solid foundation for such an agreement.

Medicare

Democrats are committed to ensuring that Medicare meets the needs of older Americans, including a prescription drug benefit for all beneficiaries. Our budget proposal makes Medicare more fiscally sound, competitive, and efficient and it modernizes Medicare’s benefits, including the provision of a long overdue prescription drug benefit. The reforms, coupled with the dedication of the surplus, would extend the life of the Medicare trust fund by 10 years to at least 2025.

- **Dedicates more than half of the non-Social Security surplus to strengthen and modernize Medicare.** The Administration's budget dedicates \$432 billion over 10 years to the Medicare program.
- **Allocates \$299 billion to Medicare Trust Fund solvency.** To address Medicare's future financing shortfall, the budget request dedicates \$299 billion of the surplus to Medicare over 10 years, extending the financial health of the trust fund through 2025.

Pay Off the Debt

The Democrats' budget would eliminate the publicly-held debt by 2013, the first time the Federal Government will be in this position since 1835. With the passage of the 1993 Democratic deficit reduction package and the *Balanced Budget Act of 1997*, an era of deficits has given way to budget surpluses. The unified budget surplus is projected to rise to \$167 billion this year—the largest surplus ever and the third unified surplus in a row. The budget also projects the on-budget surplus, which excludes Social Security, to be \$19 billion in FY 2000—the second consecutive on-budget surplus.

- **Largest unified surplus ever.** Instead of amassing a \$455 billion *deficit*, a \$167 billion *surplus* has been projected for this year—the largest ever. In January 1993, the Congressional Budget Office (CBO) projected that the deficit would grow to \$455 billion by 2000. The Office of Management and Budget (OMB) now is projecting a \$167 billion surplus. Compared with the original projections, that is a \$622 billion turnaround.
- **Largest debt reduction ever.** In 1998 and 1999, the debt held by the public was reduced by a combined \$140 billion. OMB is projecting that the United States will pay down an additional \$157 billion in debt held by the public this fiscal year. That will bring the total debt pay-down to \$297 billion—the largest three-year debt pay down in American history.
- **Federal spending as a share of the economy is the lowest since 1966.** The current period of fiscal and economic prosperity would not have been possible without fiscal discipline and restraint. The spending restraint under the Administration has brought spending down from 22.2 percent of GDP in 1992 to 18.7 percent of GDP in 1999—the lowest in more than thirty years.

Provide Tax Cuts for Working Families

Since 1993, Senate Democrats have worked to provide tax relief for America's working families. Democrats have delivered an expansion of the Earned Income Tax Credit (EITC), a \$500 per child tax credit, \$1,500 Hope Scholarships to make the first years of college universally available, and expanded IRAs. The result of these efforts is the lowest Federal tax burden in more than two decades for a typical middle-income family. Building on this record of tax relief, Democrats are proposing additional tax relief for working families.

- **Long-term Care Credit.** As part of an initiative that helps address the nation's long-term care challenge, Democrats are pushing for a \$3,000 tax credit to compensate people with long-term care needs or their care givers for the cost of care.
- **Reduce the "marriage penalty" for married, two-earner couples by increasing the standard deduction.** The President has proposed to increase the standard deduction for two-income married couples to twice that of single filers, providing substantial tax relief for 9.1 million married couples.
- **Expand the Earned Income Tax Credit (EITC).** Democrats are proposing an expansion of the EITC. This proposal would deliver tax relief for 6.4 million families, providing up to \$1,155 in additional tax relief. This proposal advances the fundamental principle that people who work should not have to raise their families in poverty.
- **Increase access to higher education.** Continuing their efforts to make college more affordable for millions of working families, Democrats are seeking to make up to \$10,000 in college tuition tax-deductible each year.
- **Child Care Tax Credit.** Democrats are proposing tax relief for families struggling to pay for child care. The President has proposed: (1) making the Child and Dependent Care Tax Credit refundable for the first time; (2) increasing the level of the credit; and (3) extending the credit to parents who stay at home to take care of their infants.

- **Retirement Savings Accounts (RSAs) to help families save and invest.** This Democratic proposal would give 76 million Americans the opportunity to build wealth and save for their retirement through a progressive tax cut. It provides matching contributions to all low- and moderate-income families to encourage them to develop savings and assets. A person who participated for 40 years in this savings program could accumulate more than \$266,000—enough to produce \$24,000 per year in retirement income.
- **Alternative Minimum Tax relief.** Democrats are seeking to correct serious design flaws in the individual Alternative Minimum Tax (AMT) that increasingly hurt middle-income families. This proposal will take more than nine million families per year off the AMT when fully phased in.

Invest in the Future

Democrats remain committed to investing in our future by making critical investments in education, health care, environment, public safety and national security.

- **Increase our investment in education.** Democrats continue efforts to reduce class sizes by hiring 100,000 teachers. In addition, Democrats would provide funding to build or renovate 6,000 schools and repair an additional 8,300 schools.
- **Access to affordable health care.** Democrats would invest \$110 billion over 10 years to cover an additional five million Americans and expand access to millions more. Democrats also are fighting to improve enrollment in existing programs for children; expand eligibility for their parents; and increase health insurance options for 55- to 65-year-olds by creating a Medicare buy-in.
- **Protect the environment.** Democrats continue to press for funding increases to protect our natural resources, our communities and families, and the global environment by establishing a permanent lands legacy, promoting clean energy, and helping communities grow in ways that enhance their quality of life and ensure strong, sustainable economic growth.

- **Provide additional tools to fight crime.** Democrats want to build on the successful COPS program by helping communities put 50,000 more police officers on the beat over five years. Democrats also would improve the ability of law enforcement officers to access the latest crime-fighting technologies; enact common-sense gun legislation to keep guns out of the hands of criminals and children; and improve the enforcement of Federal gun laws.
- **Strengthen national security.** Democrats seek additional investments to strengthen our military forces by enhancing military readiness and modernizing weapons systems to ensure that the U.S. military remains the most prepared and capable force in the world.